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IRAN: Demonstrations Continue

25X1 *Clashes between anti-Shah demonstrators and the military occurred in Tehran for the fourth straight day yesterday. Reports of unease in the military are continuing to surface as political efforts to resolve the crisis falter.* [redacted]

A Tehran police station was attacked yesterday--the first terrorist operation since the new wave of demonstrations began last Friday. At least one policeman was killed. Sporadic demonstrations continued elsewhere in the capital and in the provinces. [redacted]

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25X1 [redacted] the US defense attache [redacted]
25X1 [redacted]
25X1 [redacted] reports that the officers said it is time for the Shah to step down and turn over complete power to the military. The attache reports hearing anti-Shah statements [redacted] among officers and enlisted men in the Air Force. [redacted]

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25X1 [redacted] an Iranian vice admiral is preparing a document to be sent to his superiors concluding that if the situation deteriorates further then the Shah will have to go. The Shah got a warm reception, however, when he visited an Air Force base on Sunday.//

25X1 [redacted] //The Shah told the British Ambassador yesterday that he has come to the conclusion that a political compromise is not possible in the near term, but that he has no intention of stepping down. The Shah appeared "calm and realistic," according to the Ambassador.//

25X1 [redacted]
25X1 There is no indication as yet that opposition militants have been intimidated by the military's use of force. The opposition has demonstrated that it can repeatedly mobilize its followers to come out into the streets after the curfew in spite of the troops. [redacted]

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IRAN: Economic Disarray

25X1 *Iranian oil output and exports, which last week returned to near normal levels, have fallen again. Elsewhere in the economy, the general strike called by opposition leaders on Saturday, has faltered, although some stores, bazaar shops, and bank branches remain closed.*
[redacted]

25X1 Oil production, after stabilizing at about 5.9 million barrels per day during the latter part of last week, has again been disrupted following Ayatollah Khomeini's call for oil workers to resume their strike. Yesterday, production was down to about 4.5 million barrels and exports, which had recovered to 5.2 million barrels per day last week, were only 3.7 million barrels. Oil industry officials fear that output could fall quickly to the 1 million to 1.5 million barrel-per-day level of early November.
[redacted]

25X1 All of Iran's plants for liquefying natural gas have been shut down, forcing a halt in gas exports to the USSR. Shortages of bottled gas will be aggravated if the plants remain shut for more than a few days. Although Iranian gas exports account for only 3 percent of total Soviet gas consumption, they provide one-fourth to one-third of total energy consumption in Soviet Georgia, Armenia, and Azerbaijan.
[redacted]

25X1 Although a large number of shops and banks closed on Saturday, many--including those selling perishable food items--reopened the following day. The principal bazaar in Tehran remains closed. At the start of Moharram, food supplies were reported to be ample, although prices of some staples have risen substantially, probably because middlemen are exploiting the political situation.
[redacted]

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VENEZUELA: Herrera Elected

President-elect Luis Herrera Campins' victory in Sunday's general election will bring his Social Christian Party to power next March for only the second time in its 32-year existence. Although Herrera has promised an "austere" administration, he is not likely to make any major shifts in domestic or foreign policy. Results of the concurrent congressional election will not be known until later this week, after an involved system of proportional representation determines the number of seats for each contending party. [redacted]

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The Social Christians and the losing incumbent Democratic Action Party won a combined total of approximately 85 percent of the vote, continuing the healthy trend toward a two-party political system. Leaders of a number of badly trounced leftist parties are again calling for a united front, but many efforts to form one over the past 20 years have foundered over personal and ideological differences. [redacted]

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Herrera's decidedly populist views and style--much of his strength comes from youth, labor, and women's groups in the party--have marked him as an aberration in the party hierarchy. Although he has not articulated a political philosophy of his own, he is a proven organizer with great talent for persuasion and compromise. His slow and deliberate approach to decisionmaking, however, could be a distinct handicap in the presidency. [redacted]

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Herrera will have to wait at least until the legislative lineup is settled before deciding whether to initiate talks on a congressional coalition. During the campaign, he turned down suggestions by his Democratic Action opponent that both parties agree beforehand to a coalition in the event neither won a majority. When former Social Christian President Rafael Caldera refused to agree to a coalition after his narrow win in 1968, the ensuing two-year legislative stalemate was broken only when military leaders began to voice their concern. [redacted]

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The somewhat enigmatic figure of the former President hovers over Herrera's victory. Caldera has a strong hold on the Social Christian Party, not only as its founder and philosophical mentor, but also because he is already regarded as the presidential candidate for 1983,

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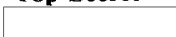


when the required 10-year period after his term will have elapsed. 

Herrera won his party's nomination despite Caldera's strenuous efforts to install his own choice. Although their differences were papered over during the hard-fought campaign, they may reappear if the President-elect sets a course counter to the former President's views. Herrera may well be tempted to strike out on his own; he has few political debts to pay. If he does, his lack of experience with the machinery of government could make for a difficult presidency. 

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AFGHANISTAN-USSR: Taraki Visit

//Afghan President Taraki arrived in the USSR for a scheduled visit this week. He may hope to arrange immediate wheat supplies, determine Moscow's position on Afghanistan's differences with Pakistan, and show his domestic enemies--and their potential foreign supporters--that his government has important backing.//

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Despite a near-record wheat crop, Afghanistan is experiencing a serious problem in getting wheat to the market. The government could force individual traders and farmers to give up their wheat supplies, but it probably is not capable of gathering and distributing the wheat on short notice. Taraki may have decided it would be easier to get wheat from the USSR. The Soviets have sold Afghanistan 20,000 tons of wheat since the coup in April that brought Taraki to power.

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Taraki may also hope to win Soviet support for a more activist Afghan policy on the Pushtunistan issue--a longstanding dispute over the status of Pakistan's two western provinces. While Afghanistan does not openly advocate annexation of the provinces, the Afghans would like to see the establishment of an autonomous or independent Pushtunistan that they would hope to dominate and ultimately annex. The Soviets will probably advise Taraki to refrain from heating up the issue. The USSR's regional interests--particularly relations with India--would almost certainly suffer if Afghanistan were perceived as a Soviet puppet pursuing Soviet expansionist goals.

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Taraki's trip--his first since he seized power--may also be an attempt to dissuade his neighbors, particularly Pakistan, from assisting his domestic opponents. The Afghans believe that Pakistan is not doing enough to keep its tribal and religious groups from assisting Afghan dissidents.

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The Soviets will continue to provide the economic and military assistance required to keep the leftist government in power. Although the Soviets have maintained that the 1921 Soviet-Afghan friendship treaty and the 1931 neutrality and nonaggression treaty provide an adequate foundation for their bilateral relations with Kabul, they may sign a new friendship treaty to underscore a qualitative change in relations since the advent of a new regime in Kabul.

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PRC: Reaction to Warsaw Pact

China, responding to the disunity at the recent Warsaw Pact summit conference in Moscow, says the USSR is encountering "increasing difficulties" in its efforts to dominate Eastern Europe. China so far has avoided an explicit endorsement of Romanian President Ceausescu's defiance of Moscow, but it has strongly implied its support for his action.

To reinforce this impression, Chinese Vice Premier Keng Piao, a leading foreign policy figure, met with Romania's Ambassador on Saturday, and undoubtedly discussed Ceausescu's action. Chinese media described the meeting as a "very cordial and friendly conversation."

Chinese media, reporting on a Soviet commentary about the summit, noted that Moscow was using the statement to portray four Soviet initiatives as successful, despite their apparent failure to obtain unanimous endorsement. The Chinese also attempted to create the impression that more than one East European country had joined in opposing the Soviet initiatives.

The article cited the "firm opposition" of "one of the participating countries"--meaning Romania--to Soviet attempts to increase Pact defense spending and modify Pact command procedures. Peking also says that Moscow failed to get the other Pact members to agree to link Cuba and Vietnam with the Warsaw Treaty and to "extend the Treaty's commitments to areas well beyond Europe."

The Chinese pointed out the differences that exist among the Pact countries over the Middle East situation, noting the separate statement on the issue that was supported by "six, not seven" of the participating countries. Peking also said the Soviets "suffered a heavy setback in pressing other Warsaw Pact countries to toe their anti-China line."

Peking undoubtedly views Ceausescu's defiance--particularly of the anti-China proposal--as an important result of its close relations with Romania, although the Chinese probably do not hold out much hope for similar developments in other Warsaw Pact countries.

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USSR: Arms Transfer Talks

The Soviet news agency, TASS, has issued a relatively detailed commentary on the fourth round of US-Soviet talks on conventional arms transfers opening today in Mexico City. Moscow's decision to comment on this round, which it did not do before earlier rounds, evidently reflects a judgment that the talks have become an established forum and are passing from a preliminary to a negotiating stage.

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[redacted]

In his commentary of 1 December, TASS political observer Yuriy Kornilov writes that the main task is to formulate political-legal criteria on arms transfers. At previous rounds, the Soviets have pressed for the adoption of such broad criteria, which would essentially divide states into worthy and unworthy recipients of arms.

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[redacted]

Kornilov also signals acceptance of the US preference for more precise standards for weaponry by stating that political criteria "must" be augmented by military-technical criteria. This suggests that the Soviets are ready to put forward their own proposals for such criteria.

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[redacted]

//Moscow has been unenthusiastic about the US proposal to discuss regional aspects of arms transfers, and Kornilov says only that such aspects "can also be considered" at the present round. Kornilov seems to register some approval for the US proposal to discuss Latin America. He does not, however, indicate how closely the Soviets might link discussion of US-proposed regions (Latin America and Sub-Saharan Africa) with any Soviet regional proposals and how sensitive countries such as China and Iran will be treated. Soviet flexibility on this score is likely to be an important factor influencing the tone and outcome of this round of talks.//

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VIETNAM-KAMPUCHEA: Leadership

//A critical factor in determining future developments in Indochina is the nature of the Kampuchean leadership--its stability and durability. Certainly, Vietnamese and Chinese perceptions of events in Kampuchea have contributed to and will continue to influence their own policies toward that country. Very little information on the situation in Kampuchea has filtered out of the country.

//Political differences quickly surfaced following the fall of Phnom Penh in 1975. Three Politburo members were executed that year. Two of the three, Hu Nim and Hou Youn, had been among the most prominent Khmer Rouge leaders before the expansion of the Vietnam war into Cambodia in 1970. A plot by two other Politburo members to unseat Pol Pot was discovered in 1976. Both plotters were executed and others involved in this plot, fled to Thailand. A sweeping and systematic purge of party cadre in western and northwestern Kampuchea followed.

//The most recent reflection of disaffection in Kampuchea occurred in May when So Phim, once a senior figure in the leadership and in charge of the region adjacent to the Vietnamese frontier, apparently defected to the Vietnamese. So Phim is said to have been installed as leader of the Vietnamese-sponsored resistance movement Vietnam is trying to develop in Kampuchean territory, although he was not mentioned in the first announcements last weekend of the formal creation of the Kampuchean United Front for National Salvation. Predictably, there have been reports of new purges following the defection of So Phim.

Kampuchea dismisses all internal opposition as "pro-Vietnamese." Vietnam was intimately involved in the development of the Khmer Rouge as a fighting force during the early 1970s, and there may well have been party members in Kampuchea opposed to Phnom Penh's aggressively

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anti-Vietnamese policy. Given the extraordinarily repressive nature of the regime in Phnom Penh and the deep-seated anti-Vietnamese feeling within the Khmer nation, however, it seems clear that internal opposition is based on other factors as well. []

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//In fact, the three Politburo members executed in 1975 had apparently challenged Pol Pot by advocating a slower pace of collectivization, retention of a money economy, acceptance of foreign assistance from all quarters, and an end to widespread executions. We suspect the Chinese also urged most of these measures on Phnom Penh.// []

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The consolidation of the extremists in Phnom Penh over the past three years has obviously contributed to Vietnam's conclusion that any modus vivendi with the Pol Pot regime is impossible. Recurring signs of disaffection in Kampuchea and most recently the defection of So Phim may have led Hanoi to overestimate the degree of potential popular support for the Khmer resistance movement Hanoi is attempting to develop. []

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The background of Vietnam's leaders may be an influential factor in their assessment of the Phnom Penh regime's vulnerability. The leadership of the Vietnamese Communist Party has been remarkably cohesive and stable through long years of war and able to resolve or at least submerge its differences without dramatic purges. To the men in Hanoi, a Kampuchean party plagued by dissension and bloody purges may seem inherently vulnerable. Hanoi may have been encouraged by Kampuchea's internal disorders to believe that Pol Pot's grip is so shaky that even a limited increase in Vietnamese military pressure this dry season could bring a more acceptable government to power. []

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Peking wants an independent and anti-Vietnamese Kampuchea, which in the present context means the preservation of the present regime. Nonetheless, the Chinese, over the past three years, must have become increasingly skeptical about the longer term survivability of the Pol Pot regime and its policies. There in fact are signs that the Chinese already are attempting to limit the damage to them if the Pol Pot regime falls. []

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//The Chinese are probably becoming pessimistic that Pol Pot will be able to persevere in the face of growing Vietnamese pressure, and they recognize that China's own options in defense of the present regime are limited. Chinese officials have remarked [redacted] on several occasions that they are not prepared to commit troops to Kampuchea's defense.// [redacted]

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NATO: Ministerial Meetings

//At the meetings of NATO defense and foreign ministers starting today in Brussels, the allies will be discussing how to deal with the increasing military capabilities of the Warsaw Pact through both force modernization and arms control. The West Europeans can be expected to press for greater US attention to their views.//

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//The West Europeans continue to be disturbed about Soviet "gray area" systems--particularly the Backfire bomber and the SS-20 missile. While there is general agreement that NATO's theater nuclear forces should be modernized and that the Soviet "gray area" systems should eventually be included in arms control discussions, it is not at all clear how these objectives will be reached.//

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//The West Europeans will emphasize again that allied defense requirements must be kept firmly in mind in the final stages of negotiating a SALT II agreement. Some may also suggest, as they have previously, that the US reconsider its offer to reduce and limit some US nuclear elements at the Vienna force reduction talks. Other specific suggestions to get those stagnant negotiations moving--such as the UK proposal for a foreign ministers meeting--may be heard again. The French idea of a supplementary, European-wide arms control forum will probably be discussed further.//

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//The ministers will no doubt confirm their commitment to build up NATO's conventional forces to meet expanding Warsaw Pact capabilities. Increasingly, the West Europeans have been stressing the connection between conventional forces and other elements of NATO, particularly theater nuclear forces, and a Dutch proposal designed to ensure that this relationship is reflected in future NATO discussions may come up.//

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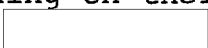
//The ministers will also pledge themselves once again to the goals of the long-term defense program announced in Washington last May and will review progress

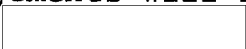
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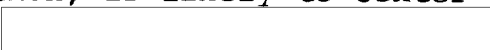
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toward reaching the goals. The symbolically most important part of the program--the pledge of each member to increase its defense spending by at least 3 percent annually--will be highlighted. A number of countries, including the US, may well come in for some tough questioning on their plans to meet the 3 percent commitment.// 

//The defense ministers may be signing a memorandum of understanding on the airborne early warning and control system, although this will not be the momentous occasion that had been hoped for. While West Germany's participation in the system is now likely, a number of other members are having second thoughts about committing themselves. Italy, Portugal, and Turkey, for example, are holding out. France's participation, for which special arrangements will have to be made, is still up in the air.// 

//Finally, the ministers will discuss, although probably not in formal sessions, how to get the negotiations moving to reintegrate Greece in the Alliance's military structure. That matter is at a standstill largely due to Turkey's fear that any tampering with command boundaries in the Aegean will prejudice the case against Turkey in future Greek-Turkish bilateral discussions. Apart from the idea that NATO give economic aid to Turkey, which has aroused some interest, NATO Secretary General Luns' recent personal intervention has produced no results. Discussion, then, is likely to center on possible new initiatives.// 

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International

The UNCTAD negotiating conference for a new international wheat agreement recessed late last month after failing to reach agreement on two key aspects--the price level at which to accumulate and release reserve stocks, and the size of individual country shares of reserves.

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The conference is important to wheat importing countries because it affects their access to supplies, and to wheat exporters primarily because its goal is stable prices.

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The US will hold separate consultations with the European Community and Canada early next month. If these parties agree on the two key issues, the interim committee of the UNCTAD conference will meet during the week of 11 December. The interim committee can reconvene the full conference if it appears that substantial progress can be made toward a new agreement.

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USSR

The USSR purchased 750,000 to 1 million tons of US corn late last month for delivery this marketing year (1 October 1978 - 30 September 1979), [REDACTED] bringing total purchases of US grain for the period to between 2 million and 2.3 million tons. [REDACTED]

[REDACTED]

International

Negotiations among developed and developing countries to create a Common Fund to stabilize key commodity export prices ended Thursday amid expressions of progress but acknowledgment that some major issues remain unresolved. Developed countries indicated that they have exhausted most of their negotiating flexibility, indicating that further concessions by the developing countries may be necessary. The atmosphere of the conference, however, was cordial, unlike the acrimonious tone of negotiations last year. [REDACTED]

One of the most important areas of disagreement was the size of the Common Fund. Developing countries sought \$700 million for stabilization and other measures, while most developed countries wanted a much narrower financial base. [REDACTED]

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